The United States Agency for International Development

Global Development Alliance

Preliminary GDA Guidelines for USAID

The following *preliminary* guidelines are intended to assist USAID staff who are currently engaged in, or are considering engaging in, forming alliances. They reflect the deliberations of a cross section of Agency staff, some of whom have direct experience in forming alliances with Agency partners, including private businesses.

I. GENERAL PRECEPTS THAT SHOULD BE FOLLOWED IN FORMING ACCEPTABLE ALLIANCES IN THE CONTEXT OF USAID'S NEW GLOBAL DEVELOPMENT ALLIANCE

A. GDA alliances are expected to bring significant new resources, new ideas, new technologies and/or new partners to address development problems in countries where USAID works. For example, simply giving a grant to an NGO or other partner does not constitute an "alliance" as it is defined for GDA purposes.

B. There is no pre-defined minimum or maximum number of partners; each alliance will be different. There are many categories of potential alliance partners (see list in Annex A).

C. Alliances must clearly establish up front how the interests and objectives of each party converge. This expression of interests and objectives should then lead to an operational plan that, if successfully implemented, will produce clearly defined development results.

D. Fairness and transparency are overarching principles in forming alliances. Exploration of possible alliances should take place in a transparent manner and should involve wide consultation with possible partners. Particularly in instances in which USAID initiates a proposed alliance, we must be certain that our planning identifies and reaches out to the full range of possible partners, taking into consideration the expected purpose and scope of the alliance. At the same time, we should remember that complexity increases with the number of partners, and make every effort to agree on an alliance whose size and governance structure are manageable. Alliances that are expected to include commercial firms should offer the opportunity for participation to other interested commercial firms.

E. During discussions with alliance partners, USAID staff must be aware of the point at which planning for an alliance or alliance-supported activities is likely to lead to the award of a contract or grant and ensure that applicable procurement rules are followed. If there is the possibility that an alliance partner also might seek the award of a USAID contract or grant in connection with the program supported by the alliance, potential organizational conflict of interest issues will need to be addressed. A GC/OP group will provide ongoing assistance to those involved in forming alliances.

F. GDA alliances should not simply be grants to organizations that have expressed an intention to seek third party partnerships that are not yet formed. USAID funding should not be provided until the key parties are already at the table and willing to clearly state what they will be contributing. GDA alliances are not grants for fundraising.

G. Trusts and endowments that have a clearly defined development objective are legitimate GDA alliance activities. However, it should be noted that the approval process for these mechanisms has usually proven to be complex and time consuming.

H. USAID need not always be the initiator of alliances. In some cases, USAID may be asked to join an alliance that is already formed or being formed.

I. Agency staff who may be thinking of new "cold call" contacts with major foundations or corporations are encouraged to contact the GDA secretariat or their appropriate backstop office in Washington before doing so, in order to avoid a lack of coordination within USAID in interacting with such groups.

J. Like all investments in development, alliance activities at the country level that actively involve local leadership and local beneficiaries in design and implementation are the ones most likely to be successful and sustainable. Simply bringing new partners into the equation does not ensure that the development activity is more likely to succeed; local ownership, leadership and beneficiary participation are still keys to success.

II. LEVERAGING OF FUNDS AND NON-MONETARY CONTRIBUTIONS

A. GDA alliances are looking for significant leveraging; however, there is not a predetermined minimum match. Matching resources will not always be money-- different partners can contribute different things. In-kind resources, intellectual property, implementation know-how, and technical assistance are also valuable contributions to leverage. As a general rule those proposals that involve the greatest leveraging of outside resources, and which address an important development problem, will be given preference for USAID funding.

B. Alliance proposals must clearly specify what each party is contributing. Non-monetary contributions may be hard to quantify (just as USAID contributions will not always be easily quantifiable in $$ terms). Nonetheless, a serious attempt should be made to attach a dollar value whenever possible; when that is not possible, the non-dollar contribution, and why it is significant, needs to be clearly spelled out.

C. While alliance proposals must specify what each party is contributing at the outset, it is also recognized that lasting alliances are living, changing entities. Some alliances will start small and expand over time as the alliance matures and succeeds, trust is built, and the benefits to the partners become clearer. Therefore, monetary and other contributions may not necessarily all come up front. If there is an expectation that additional resources will be forthcoming over the life of the alliance, the proposal should state what the expectations are, and why it is realistic to believe the additional resources will materialize.

III. STEPS THAT SHOULD BE TAKEN TO EXERCISE DUE DILIGENCE BEFORE ENTERING INTO ALLIANCES, AND TO ENSURE THAT FOREIGN POLICY AND DEVELOPMENT OBJECTIVES ARE NOT SUBORDINATED TO OTHER AGENDAS

A. Strategic alliances sometimes go awry, resulting in negative publicity and inadequate or negative development impact. Thus, it is very important to exercise due diligence before entering into alliance arrangements, particularly with regard to alliances with individual private businesses. The specific interests and general reputation of all alliance partners need to be examined. In some cases the corporate policies and performance record of potential partners on certain issues may also need to be reviewed. The GDA secretariat, once operational, will be able to provide assistance in this due diligence function.

B. Annex B provides a list of "due diligence" questions that USAID staff should work through in developing potential alliances. These are intended as guidelines that in general should be followed, while also taking into consideration the expected purpose, scope and potential partners in the alliance. While due diligence is critical, it is also important that USAID staff have as much flexibility as possible, in order to be able to respond quickly to alliance opportunities.

C. The foreign policy/development objectives being addressed by the proposed alliance need to be clear at the outset. As the alliance activity proceeds, USAID staff should periodically review progress and report on results from the prospective of the stated objectives, to ensure that foreign policy and development objectives remain in the forefront.

IV. THE RELATIONSHIP BETWEEN ALLIANCES AND USAID STRATEGIC OBJECTIVES AT VARIOUS LEVELS (E.G., MISSION, REGIONAL, GLOBAL)

A. In most cases, there should be congruence between an alliance and the approved strategic objectives of the operating units that generate or actively participate in it. Thus, alliances generated by Missions or those in which Missions are key partners should generally be aligned with Mission SOs. Those emanating from regional or Washington units should, at a minimum, be reflective of the SOs at those levels. Exceptions should be justified on a case-by-case basis.

B. There may be some alliances that originate from regional or Washington units for which congruence with individual Mission SOs, and full mission involvement, is not always possible. For example, some major alliances already exist that focus on regional or worldwide problems, and have the potential to leverage major funds from others. Missions may not have been fully involved in forming these overall alliances. In the context of these types of alliances, cases may arise where other alliance partners wish to undertake activities in a particular country where the activity is not an easy fit with the USAID Mission SOs. Flexibility will be required in situations of this nature, and close coordination with the field mission is of course desirable whenever possible.

C. It will be critical to bear in mind country-level management burden issues in cases of regional or Washington-initiated alliances. Management at the field level, and issues of reporting, monitoring and coordination with other USAID mission activities need to be explicitly addressed.

V. GDA FUNDING AND APPROVAL PROCESSES

A. The Agency's has requested a $160 million GDA incentive fund in the FY 2002 budget request. If approved by Congress, these funds are intended to leverage USAID engagement with outside partners in formulating alliances. In addition, missions and operating units are of course free to use other funds for alliances, and some are already doing so.

B. In order to quickly launch the GDA and increase its visibility, and given the length of time it takes to develop effective alliances, it is expected that significant early funding will be provided to enhance major alliances that Agency staff have already been working on. A portion of the requested FY 02 funding is also expected to be provided for mission-level proposals that may not yet be developed or well known in Washington.

C. Current planning calls for the GDA secretariat, when asked, to provide technical assistance for alliance development, and research on potential alliance partners.

D. Proposals that meet the precepts above can be developed for submission to the GDA secretariat once it is operational, assuming the incentive fund is approved by Congress. Missions and other operating units should seek legal and contracts office input to the development of their proposals, as appropriate.

E. The GDA secretariat will convene a group of Agency staff (possibly including outside peers) to review the proposals, with input from GC, M/OP and other USAID/W offices as appropriate. This group will make recommendations to the Administrator's office for final funding decisions.

F. GDA-like activities that are not seeking money from the incentive fund do not need to pass through the approval process convened by the GDA secretariat. However, missions and operating units may want to take advantage of technical assistance offered through the secretariat. They are also requested to follow the precepts outlined above, and strongly encouraged to work through the list of questions in Annex B, in order to exercise due diligence and maximize the prospects for successful alliances.

VI. GDA ALLIANCES AND NON-PRESENCE COUNTRIES

As a general rule, there is no reason why broad, multi-country alliances that are addressing priority development issues cannot operate in non-presence countries, and it is very likely that some will do so. There are, however, a

number of categories of non-presence countries (e.g., those specifically excluded by law or policy, those that have "graduated" from USAID assistance, those with severe conflict and security considerations). Missions and operating units working on forming alliances will need to examine plans for activities in non-presence countries with these factors in mind, and take account of the possibility that work in a particular country may not be approved or possible.

VII. GDA RESULTS REPORTING

Current planning is for GDA results to be reported as an annex to the R4, using a succinct standardized format to be developed by the secretariat. This question may need to be further considered in light of on-going Agency discussions regarding possible changes in current reporting requirements.

GLOBAL DEVELOPMENT ALLIANCE
PRELIMINARY GUIDELINES
ANNEX A

Categories of Potential Alliance Partners:

- Foundations

- U.S., International and Host Country NGOs and PVOs

- Individual U.S. and Multinational Private Businesses, including banks and other financial institutions

- Host Country Private Businesses

- Business and Trade Associations

- International Organizations, including International Financial Institutions

- U.S. Colleges and Universities

- U.S. Cities and States

- Other USG Agencies

- Civic Groups

- Other Donor Governments/Aid Agencies

- Host Country Governments

- Regional Organizations

- Host Country Parastatals

- Wealthy Individuals, including venture capitalists

- Celebrities

- Advocacy Groups

- Unions

- Pension Funds and Employee Welfare Plans

GLOBAL DEVELOPMENT ALLIANCE
PRELIMINARY GUIDELINES
ANNEX B

Due Diligence Questions

These questions are intended as a broad guide to those considering forming an alliance with a private sector company or other entity. Not all the questions are appropriate for all situations. For example, a prospective alliance with a locally owned private company in a developing country is likely to be quite different from a headquarters-based alliance with major multinational corporations, and a number of these questions would not apply to the former situation. High profile alliances would normally require a higher investment in due diligence.

A. PRIVATE SECTOR COMPANIES:

1. What is the company's public image?

    ○ Has there been anything in the media that would reflect negatively upon the company?

    ○ If so, how has the company dealt with significant negative publicity?

    ○ Have there been tensions between the community and the company?

    ○ Have there been country-specific tensions?

    ○ Are there any pending lawsuits against the company?

2. What is the company's financial integrity?

    ○ Is the company a publicly traded company?

    ○ Does the company publish an annual report?

    ○ Does the company have audited financial statements?

    ○ Has the company been in business for several years?

3. What is the company's reputation for ethical business dealings?

    ○ Does it have a code of ethics?

    ○ Does it promote an ethics policy?

    ○ Does it have an anti-corruption policy?

4. To what extent has the company been involved in the production or sale of tobacco, armaments or other issues?

    ○ Is the company business tobacco or firearms?

    ○ Is the company a subsidiary of a parent company, which manufactures or sells the above products?

    ○ Does the company have a policy that is sensitive to the situation of indigenous people?

- Does the company have a policy sensitive to the issues of involuntary settlement?

- Does the company have a policy regarding the safety of dams?

- Does the company have projects in disputed land areas?

5. What is the company's personnel policy regarding workplace issues?

    - Does the company have an employee policy handbook?

    - Does the company have a policy governing the promotion, and hiring of minorities, women?

    - Does the company have a non-discrimination policy?

    - Is the company accepting of unions or attempts organize a union?

    - Does the company have a health and safety action plan for workers?

    - Does the company have a policy for codes of conduct, labor standards?

    - Is the company free from allegations of child, forced, labor?

6. What is the company's position on action for the environment?

    - Does the company perform, or have performed environmental assessments?

    - Does the company develop environmental reports, action plans?

    - Does the company have a green audit for environmental performance?

    - Is the company's environmental performance record made available to the public?

    - Is the company ISO certified?

    - Does the company have a natural habitat's policy?

    - Do the company's products minimize adverse impact on environment?

    - Is the company free from regularly lawsuits?

    - Does the company have a forestry issues policy?

7. What is company's action to promote social responsibility?

    - Has the company adopted standards to govern international operations and practices (labor standards)?

    - For companies with large concessions (oil, gas, hydro) that employ security programs…Does the security policy anticipate the potential for security subcontractors to create human rights violations?

    - Does the company have statements or reports on the practical commitment to corporate social responsibilities?

B. OTHER ALLIANCE PARTNERS:

Depending on the situation and potential partners, some of the questions above may also apply to other partners, while other questions will not be appropriate. In many cases, USAID has a long history of working with other types of partners (PVOs, Universities), and already has well established "due diligence" procedures. BHR/PVC's registration procedures for PVOs and NGOs, and M/OP processes, are key examples. Just as they would for other activities, USAID staff contemplating forming alliances should exercise common sense, good judgement, and follow established procedures and guidelines to avoid situations which may result in embarrassment to the Agency or ineffective development investments.